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GENERAL

1. Estimates of Soviet reaction to German rearmament--
US Embassies Moscow and Paris, in commenting on possible Soviet reaction to an announcement on West German rearmament, express the view that present probabilities are against an overt military attack against Western Europe. Embassy Moscow believes that any Soviet decision regarding overt military action in the West would probably not rest merely on the announcement of agreement to use West German forces but would depend as well on the Kremlin's estimate of numerous factors, including the success of the world "peace" movement and Chinese Communist progress in expanding in Asia.

Embassy Paris believes the USSR will not attack primarily because any direct overt military action to prevent German rearmament would make World War III a certainty, and the German question alone is not likely to affect the fundamental reasons which have thus far kept the USSR from starting a general war. The Embassy believes, however, that the USSR will react to German rearmament with great vigor. Among other maneuvers, it is anticipated that the USSR may offer to discuss all questions with the Western Powers if the decision on German rearmament is abrogated or at least shelved. The Embassy believes that such a move would find considerable response in Europe.

2. Analysis of Soviet intentions in the Balkans--US Embassy Moscow is inclined to doubt that the recent Cominform article by Greek Communist leader Zachariades portends any new Soviet threat to Greece. The Embassy finds

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DIA and DOS review(s)
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nothing in the Soviet press during the last few weeks either to support or weaken the theory that a Soviet attack on Greece is imminent. The Embassy, moreover, "tends to remain of the opinion" that Tito is the first target of Soviet strategy in the Balkans and that an attack on Greece would be likely to follow rather than precede an attack on Yugoslavia. The Embassy acknowledges, however, the continuing possibility of a Soviet Satellite attack on Greece and points to the increased likelihood of such an attack in case Soviet leaders should conclude that it could be isolated "on the Korean model."

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3. Schuman Plan talks adjourned--US Embassy Paris reports that negotiations on the Schuman Plan have been adjourned until about 8 January. The Embassy explains that although action on the treaty text is virtually complete, final negotiations have been delayed so that the German delegation may know just how the deconcentration of the Ruhr will work before agreeing to the anti-cartel provisions of the plan. The Embassy also reports that French delegate Monnet is having great difficulty in obtaining the support of his government on these provisions. The Embassy anticipates that the heads of delegations should complete their work about 15 January, enabling the foreign ministers of the member states to meet during the latter part of January to work out the political aspects.

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EUROPE

4. GERMANY: Adenauer's views on relations with West--Chancellor Adenauer has told US High Commissioner McCloy that "the pillars of his foreign policy" are rapprochement with France,

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good relations with the UK, and strong attachment to the US. Adenauer said there is no hope for Europe unless the US is "strongly present." Regarding the possible neutralization of Germany, Adenauer said that his policy is firmly directed toward thorough integration of Germany with the West and that any thought of a neutralized Germany is unrealistic. Adenauer believes it much wiser to renounce for a time the thought of a reunited Germany; what he fears is an unarmed, neutralized Germany rather than one thoroughly integrated with the West. When asked whether he thought a German contribution to Western defense would produce overt Soviet action, Adenauer replied that he doubted this and that even if it were more apt to happen, he preferred to go ahead. Adenauer hoped that the Brussels meeting would bring: (a) open discussions with Germany, during which German comments and counter-proposals could be made; (b) agreement that a German contribution implied the concept of equality and some change in the political status of Germany; and (c) renewed consideration of the concept of a "contractual relationship" to succeed the relationship now maintained through the occupation statute.

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FAR EAST

5. CHINA: Nationalist plans for mainland invasion--According to US military and diplomatic officials in Taipei, the attitude of Chinese authorities in Formosa with reference to an invasion of the mainland appears to be changing from "vague wishful thinking" to the consideration of definite plans involving specified numbers of troops and particular landing areas, all predicated on US help. US officials report that the 97th Army, originally selected for possible action in Korea,

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is being built up: its troop strength and equipment are being increased and English-speaking officers are being assigned. The US Military Attache regards these activities as indicating a belief on the part of the Nationalist Government that there is a strong possibility it will receive an invitation to fight in Korea or that the declaration of 27 June neutralizing Formosa will be modified.

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